

## Ministerial webinar

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## Apprenticeship funding reform

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## Apprenticeships funding reform



A Consultation on Funding  
Reform for Apprenticeships in  
England

July 2013

Respond by Tuesday 1  
October

Published in July 2013 and download from:  
<http://tinyurl.com/prfkjxu>

"Apprenticeships are a success story."

"One crucial aspect of this reform agenda was deliberately not addressed in March – funding."

"We cannot create a responsive system by central planning, nor by placing more requirements on training providers. The only way to achieve it is to ensure that funding for Apprenticeships is directed through the end user – the employer."

*Skills Minister, Matthew Hancock*

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## Three funding reform options

	Model 1 Direct Payment Model	Model 2 PAYE Payment Model	Model 3 Provider Payment Model
<b>Registration</b>	Employers register Apprentices through a new online system	Employers register Apprentices through a new online system	Providers register Apprentices
<b>Training</b>	Employers make payments to providers and report their expenditure through the online system, with government funding paid into their bank account	Employers make payments to providers and then recover the government funding through their PAYE return (or an alternative process if PAYE payments are insufficient – see p15)	Employers make payments to providers covering their contribution to the price of training. Providers then draw down the remainder from government
<b>Assessment</b>	Employers report achievement through the online system and receive any 'completion payments' into their bank account	Employers report achievement through the online system and recover any 'completion payments' through their PAYE return	Providers report achievement and draw down any 'completion payments'

"These models are similar in many ways. They each ensure employer co-investment and each give employers control of funding. The key difference is the way in which government funding is provided – directly to businesses (either into their bank accounts or through the PAYE system), or directly to training providers. We are inviting views on the relative advantages and disadvantages of each."

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## The two PAYE (model 2) corners



"We've had discussions with employers of various sizes and sectors up and down the country and have heard universal support for the principle of employer routed funding and near unanimous support for doing so through PAYE."



"The government has chosen a dangerously blunt instrument. Their proposals will lead to a large reduction in apprenticeship numbers. They will also have a big impact on specialist training services."

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## Ministerial Q&A

If apprenticeship are in your words, a “success story”, then why the need for major reform?

Where are you currently at? Do you support the PAYE option? If so, why?

Any concern employers, especially SMEs, wont want to “pay their share”, and might walk away if they have to make a cash contribution?

Would employers have to make a mandatory cash contribution in all cases, even 16-18?

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## AELP interim survey results

As of 6<sup>th</sup> September 2013, AELP received 165 responses

49% are providers (ITPs, Colleges, LA, third sector, etc)  
49% respondents are employers (27% of which are SME employers - under 50 staff)  
2% other

*And 98% of respondents either currently employ or deliver training to apprentices*

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## AELP interim survey results

73% of all responses do not think any of the three options will improve the funding system.

Of the employer responses, 68% do not think any of the tree options would improve the funding system.

If respondents had to choose one option, 87% would go for option 3 (keep funding the provider). 11% would choose option (direct funding employer, 3% would choose option (use PAYE system).

81% of employers said they would choose option 3.  
17% said they would go with option 1 and 3% chose the PAYE option.

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## AELP interim survey results

*"An excellent apprenticeship requires a supportive employer, a motivated learner and an expert provider. There has to be a benefit for each partner to make the process work. Option 3 (keep funding the provider) at present enables the employer to benefit from funding, support and brokerage, the learner to benefit from a personalised learning package, mentoring and problem solving and the provider from sufficient funding to facilitate an excellent service to Ofsted & SFA standards. Options 1 and 2 undermine this tripartite proposition."*

*"I could not be bothered to take on apprentices if I had to deal with the finance claims."* (Employer)

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## AELP interim survey results

Nearly all respondents wanted to see the current system continue, however would welcome a simplification of the system (particularly funding) as this would attract more employers. Where money is saved in streamlining the system, further incentives could be offered to employers who take on an apprentice.

One suggestion, given by a few respondents, was to have a combination of option 2 and 3. The money goes to the provider for training and employer contributions are collected by Government via the PAYE system.

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Thank you for joining us



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